
DEPARTMENT OF THE INTERIOR**Minerals Management Service****30 CFR Ch. II****Request for Comments on a Proposal
To Require the Direct Payment of
Rents and Royalties by the Payor(s) to
Interest Holders of Producing Oil and
Gas Leases Located on Indian Allotted
Lands**

AGENCY: Minerals Management Service (MMS), Interior.

ACTION: Request for comments.

SUMMARY: The Department of the Interior is considering a proposal that would require all payors of advance rents and royalties for producing oil and gas leases on Indian allotted lands to send payments directly to the Indian lease holders (allottees), their heirs, or to a designated agent. At present, MMS collects these payments together with a monthly royalty report. After the payment and report are processed, the information is forwarded for each lease to the Bureau of Indian Affairs (BIA). The BIA then distributes the payments to the Indian allottee who owns the mineral interest.

It has been suggested that requiring the payor to make payments directly to each Indian allottee or heir could expedite the payment process so that the Indian lease holder receives the payment sooner than is possible under the current system. Direct payment would accomplish this because it would remove MMS and BIA from the process. Some Indian allottee lease holders have been receiving payments directly from payors for some period of time. The Department wishes to receive comments both from individuals and companies who currently send advance rents and royalties for Indian allottees to the MMS and from those individuals and companies who pay allottees directly. Topics for which specific comments are requested are described in the supplementary information section which follows.

DATES: Written comments and recommendations must be received on or before April 1, 1985.

ADDRESS: Written comments should be mailed or delivered to: Mr. Ori L. Kelm, Chief, Office of Royalty Regulations, Development and Review, Royalty Management Program, Minerals Management Service, 12203 Sunrise Valley Drive, MS 660, Reston, Virginia 22091.

FOR FURTHER INFORMATION CONTACT: Mr. Anthony Gallagher, (703) 860-7311 or (FTS) 928-7311.

SUPPLEMENTARY INFORMATION: Most companies with oil and gas rights on producing Indian leases make their royalty and advance rental payments to MMS. Some companies however, pay rents and royalties directly to Indian allottees.

The Department has received criticism that MMS and BIA are not handling the payments to the Indian lease owners in either a timely or accurate manner. However, the Department rarely receives unfavorable comments about the timeliness and accuracy of the payments made directly by private companies to the Indian allottees.

In order to fulfill its trust responsibilities to the Indian allottees, the Department is examining alternatives to the existing systems and procedures for collection and distribution of allottee rents and royalties. One alternative may be a system of direct payment from payors to allottee lessors for all allotted leases.

Under a direct payment system the Department would require each payor to send the royalty check directly to the allottee with appropriate information supporting the payment. Each company would maintain a file of allottee names, addresses, and ownership interests which would be updated as required. Changes in allottee status would be furnished either by the BIA or directly by the Indian lease holder.

To evaluate this alternative the Department would like to receive pertinent information suggestions, and comments from the firms presently making payments either to MMS or directly to allottees. To systematically analyze and evaluate the responses it is requested that responses follow the format described below:

1. Describe your lease universe in terms of the approximate numbers of Federal, Indian, and other leases, breaking down the Indian lease category into: (1) Tribal, (2) allottee, paid through MMS, (3) allottee, paid direct.

2. Describe with sufficient detail your company's existing royalty/rental payment and reporting process by answering the following: (a) Are there different systems involved in the

payment and reporting process such as Accounting, Division of Interest, or the like? (b) Are the systems automated? (c) Are the systems integrated? (d) In what way and how frequently are data bases of each system updated? (e) What is the source of the information for the update, (f) How frequently are royalty payments made?

3. Describe the information regularly given to each allottee lease holder, either at the time of payment or later, which relates to the computation of the royalty payment such as: lease identification, well identification, product description, production volume, sales volume, unit price and the like.

If your company is presently making direct payments on Indian allotted lands:

4. Summarize company policy concerning the following issues: (a) Is interest paid to an allottee if the royalty payment is late? (b) Is there a floor below which payments are deferred? (c) How are payment adjustments handled in subsequent months? (d) How are allottee inquiries or complaints handled by your company? (e) How are undelivered royalty checks handled?

5. Explain how the conversion from the present payment system to a direct payment system for Indian allottees would affect your company. How long would it take your firm to implement the direct payment system? Estimate the cost to your firm of a direct payment conversion.

In addition to these specific questions, comments are solicited on any other topic or issue relevant to this proposal. MMS also plans to contact about 20 companies who pay royalties to Indian allottees to make a more detailed inquiry or examination of the operational and financial systems involved. MMS would be interested in hearing from any company that would like to be included in this sample.

Dated: February 8, 1985.

William D. Bettenberg,

Director, Mineral Management Service.

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